
By: **Delegates Mitchell, Owings, Wood, and Rawlings**

Introduced and read first time: February 24, 2003

Assigned to: Rules and Executive Nominations

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax - Rate - Education Trust Fund**

3 FOR the purpose of altering the rate of the sales and use tax; creating an Education
4 Trust Fund; requiring certain distributions from the sales and use tax revenues
5 to the Education Trust Fund and the Transportation Trust Fund; authorizing
6 the use of money from the Education Trust Fund for certain educational
7 purposes; providing for the termination of this Act; and generally relating to
8 altering the rate of the sales and use tax and creation of the Education Trust
9 Fund.

10 BY adding to

11 Article - Education
12 Section 5-201.1
13 Annotated Code of Maryland
14 (2001 Replacement Volume and 2002 Supplement)

15 BY repealing and reenacting, with amendments,

16 Article - Tax - General
17 Section 2-1303, 11-104(a) and (b), and 11-301
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 2002 Supplement)

20 BY adding to

21 Article - Tax - General
22 Section 2-1303
23 Annotated Code of Maryland
24 (1997 Replacement Volume and 2002 Supplement)

25 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
26 MARYLAND, That the Laws of Maryland read as follows:

1

Article - Education

2 5-201.1.

3 (A) THERE IS AN EDUCATION TRUST FUND, WHICH IS A SPECIAL CONTINUING,
4 NONLAPSING FUND THAT IS NOT SUBJECT TO § 7-302 OF THE STATE FINANCE AND
5 PROCUREMENT ARTICLE.

6 (B) (1) THERE SHALL BE CREDITED TO THE EDUCATION TRUST FUND ALL
7 SALES AND USE TAX REVENUE DISTRIBUTED TO THE FUND UNDER § 2-1303 OF THE
8 TAX - GENERAL ARTICLE.

9 (2) MONEY IN THE EDUCATION TRUST FUND SHALL BE INVESTED AND
10 REINVESTED BY THE TREASURER, AND INTEREST AND EARNINGS SHALL ACCRUE TO
11 THE FUND.

12 (C) THE MONEY IN THE EDUCATION TRUST FUND SHALL BE USED TO
13 PROVIDE AN ADEQUATE EDUCATION FOR CHILDREN ATTENDING PUBLIC SCHOOLS
14 IN THE STATE IN PREKINDERGARTEN THROUGH GRADE 12, THROUGH
15 IMPLEMENTATION OF THE PROGRAMS COMMONLY KNOWN AS THE BRIDGE TO
16 EXCELLENCE IN PUBLIC SCHOOLS, FIRST ENACTED BY CHAPTER 288 OF THE ACTS OF
17 THE GENERAL ASSEMBLY OF 2002.

18 (D) EXPENDITURES FROM THE EDUCATION TRUST FUND SHALL BE MADE
19 EACH FISCAL YEAR IN ACCORDANCE WITH THE STATE BUDGET.

20

Article - Tax - General

21 2-1303.

22 AFTER MAKING THE DISTRIBUTIONS REQUIRED UNDER §§ 2-1301 THROUGH
23 2-1302.1 OF THIS SUBTITLE, THE COMPTROLLER SHALL DISTRIBUTE:

24 (1) 8.3% OF THE REMAINING SALES AND USE TAX REVENUE TO THE
25 EDUCATION TRUST FUND ESTABLISHED UNDER § 5-201.1 OF THE EDUCATION
26 ARTICLE; AND

27 (2) 8.3% OF THE REMAINING SALES AND USE TAX REVENUE TO THE
28 TRANSPORTATION TRUST FUND ESTABLISHED UNDER § 3-216 OF THE
29 TRANSPORTATION ARTICLE.

30 [2-1303.] 2-1304.

31 After making the distributions required under §§ 2-1301 through [2-1302.1]
32 2-1303 of this subtitle, the Comptroller shall pay the remaining sales and use tax
33 revenue into the General Fund of the State.

34 11-104.

35 (a) Except as otherwise provided in this section, the sales and use tax rate is:

- 1 (1) for a taxable price of less than \$1:
- 2 (i) 1 cent if the taxable price is 20 cents; [and]
- 3 (ii) [1 cent for each additional 20 cents or part of 20 cents] 2 CENTS
4 IF THE TAXABLE PRICE IS AT LEAST 21 CENTS BUT LESS THAN 34 CENTS; [and]
- 5 (III) 3 CENTS IF THE TAXABLE PRICE IS AT LEAST 34 CENTS BUT
6 LESS THAN 51 CENTS;
- 7 (IV) 4 CENTS IF THE TAXABLE PRICE IS AT LEAST 51 CENTS BUT
8 LESS THAN 67 CENTS;
- 9 (V) 5 CENTS IF THE TAXABLE PRICE IS AT LEAST 67 CENTS BUT
10 LESS THAN 84 CENTS; AND
- 11 (VI) 6 CENTS IF THE TAXABLE PRICE IS AT LEAST 84 CENTS; AND
- 12 (2) for a taxable price of \$1 or more:
- 13 (i) [5] 6 cents for each exact dollar; and
- 14 (ii) [1 cent for each 20 cents or part of 20 cents] FOR THAT PART OF
15 A DOLLAR in excess of an exact dollar:
- 16 1. 1 CENT IF THE EXCESS OVER AN EXACT DOLLAR IS AT
17 LEAST 1 CENT BUT LESS THAN 17 CENTS;
- 18 2. 2 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
19 LEAST 17 CENTS BUT LESS THAN 34 CENTS;
- 20 3. 3 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
21 LEAST 34 CENTS BUT LESS THAN 51 CENTS;
- 22 4. 4 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
23 LEAST 51 CENTS BUT LESS THAN 67 CENTS;
- 24 5. 5 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
25 LEAST 67 CENTS BUT LESS THAN 84 CENTS; AND
- 26 6. 6 CENTS IF THE EXCESS OVER AN EXACT DOLLAR IS AT
27 LEAST 84 CENTS.
- 28 (b) If a retail sale of tangible personal property or a taxable service is made
29 through a vending or other self-service machine, the sales and use tax rate is [5%]
30 6%, applied to [95.25%] 94.5% of the gross receipts from the vending machine sales.

1 11-301.

2 The sales and use tax is computed on:

3 (1) the taxable price of each separate sale;

4 (2) if a combined sale is made, the combined taxable price of all retail
5 sales on the same occasion by the same vendor to the same buyer; or

6 (3) if retail sales of tangible personal property or a taxable service are
7 made through vending or other self-service machines, [95.25%] 94.5% of the gross
8 receipts from the retail sales.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
10 effect July 1, 2003. It shall remain effective for a period of 3 years and, at the end of
11 June 30, 2006, with no further action required by the General Assembly, this Act shall
12 be abrogated and of no further force and effect.